

CITY OF OAKLAND

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011**

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CITY OF OAKLAND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael O'Brien	Mayor	January 2014
Debbie Rollins	Mayor Pro-Tem	January 2012
Corey Hackett	Council Member	January 2014
Brant Miller	Council Member	January 2014
Pat Newberg	Council Member	January 2014
Joseph Wede	Council Member	January 2012
Marissa Lockwood	City Clerk	Indefinite
Cindy Constable	City Treasurer	Indefinite
Joe Lauterbach	City Attorney	Indefinite

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 17, 2011

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Lonnie G. Muxfeldt
Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com

firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oakland's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued . . .

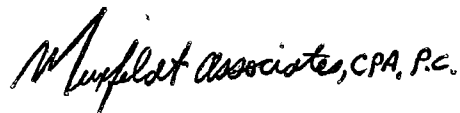
August 17, 2011
Page Two

To the Honorable Mayor and
Members of the City Council:

In accordance with *Government Auditing Standards*, I have also issued my report dated August 17, 2011 on my consideration of the City of Oakland's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11, and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010, 2009 and 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 M. L. Murphy Associates, CPA, P.C.

**CITY OF OAKLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

The City of Oakland provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 5%, or approximately \$52,000, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$21,000 or 7%.

Disbursements of the City's governmental activities decreased 9% or approximately \$134,000, in fiscal year 2011 from fiscal year 2010. Community and economic development disbursements increased approximately 310,000. All other disbursements decreased.

The City's total cash basis net assets decreased 43%, or approximately \$676,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities decreased approximately \$324,000 and the assets of the business type activities decreased approximately \$352,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides and analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, sanitary sewer system and sanitation. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for the governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Sanitation Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from approximately \$942,000 to approximately \$618,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities			
	Year Ended June 30, 2011	Year Ended June 30, 2010	
Receipts:			
Program receipts:			
Charges for services	\$ 114,068	\$ 116,749	
Operating grants, contributions and restricted interest	237,946	228,757	
Capital grants, contributions and restricted interest	101,373	221,890	
General receipts:			
Property tax	296,224	275,271	
Tax increment financing	18,622	27,316	
Local option sales tax	181,391	153,346	
Unrestricted investment earnings	29,406	18,220	
Miscellaneous	17,428	4,195	
Sale of property	6,850	10,000	
Total receipts	1,003,308	1,055,744	
Disbursements:			
Public safety	100,371	153,822	
Public works	190,677	272,310	
Culture and recreation	191,150	195,613	
Community and economic development	352,712	42,930	
General government	118,847	242,537	
Debt service	111,193	141,791	
Capital projects	274,932	424,254	
Total disbursements	1,339,882	1,473,257	
Change in cash basis net assets before transfers	(336,574)	(417,513)	
Transfers, net	12,622	12,850	
Change in cash basis net assets	(323,952)	(404,663)	
Cash basis net assets, beginning of year	941,629	1,346,292	
Cash basis net assets, end of year	\$ 617,677	\$ 941,629	

The City's total receipts for governmental activities decreased 5% or approximately \$52,000. The total cost of all programs and services decreased approximately \$134,000, or 9%, with no new programs added this year. The significant decrease is primarily due to a decrease in grants.

Property tax rates for fiscal year 2011 were not raised. Based on increases in the total assessed valuation, property tax receipts increased approximately \$21,000, or 7.6%, and are budgeted to increase an additional \$3,000, or 1%, next year.

The cost of all governmental activities this year was approximately \$1.34 million compared to approximately \$1.47 million last year. However, as shown in the Statement of Activities and Net Assets on pages 13 - 14, the amount taxpayers ultimately financed for these activities was only approximately \$866,500 because some of the cost was paid by those directly benefited from the programs (\$114,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$339,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2011 from approximately \$567,000 to approximately \$453,000, principally due to a flood plane grant received in fiscal year 2010.

Changes in Cash Basis Net Assets of Business Type Activities			
	Year Ended June 30, 2011	Year Ended June 30, 2010	
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 616,851	\$ 635,066	
Sewer	65,023	62,055	
Sanitation	121,122	121,723	
Operating grants, contributions and restricted interest	-0-	-0-	
Capital grants, contributions And restricted interest	-0-	-0-	
General receipts:			
Rental income	37,328	30,257	
Total receipts	840,324	849,101	
Disbursements:			
Water	719,798	640,200	
Sewer	341,780	55,117	
Sanitation	117,995	126,657	
Total disbursements	1,179,573	821,974	
Change in cash basis net assets before net financing sources	(339,249)	27,127	
Transfers, net	(12,622)	(12,850)	
Change in cash basis net assets	(351,871)	14,277	
Cash basis net assets, beginning of year	628,559	614,282	
Cash basis net assets, end of year	\$ 276,688	\$ 628,559	

Total business type activities receipts for the fiscal year were approximately \$840,000 compared to approximately \$849,000 last year. This decrease is due primarily to the receipts of insurance proceeds on damage to a City well in the prior year. The cash balance decreased approximately \$352,000 from the prior year primarily due to 2010 Sanitary Sewer Improvements and Waterworks Improvements. Total disbursements for the fiscal year increased 43% to approximately \$1.2 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Oakland completed the year, its governmental funds reported a combined fund balance of \$617,677, a decrease of \$323,952 from last year's total of \$941,629. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$158,570 from the prior year to \$507,588. Approximately \$106,000 of this decrease was due to a transfer to the Urban Renewal Fund to purchase the Community Services Building.

The Special Revenue, Road Use Tax Fund cash balance increased \$66,260 to \$108,109. This increase is not due to an increase in receipts but rather a significant decrease in disbursements for street repairs for fiscal year 2011.

The Special Revenue, Urban Renewal Tax Increment Fund accounts for the major urban renewal projects within the City. The cash balances decreased from \$234,161 to \$-0- primarily due to the purchase of the Community Service Building.

The Capital Projects, Aquatic Center Fund cash balances neither increased nor decreased for 2011. Disbursements in excess of donations were offset by a transfer from the general fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance decreased \$78,241 to \$376,892, due primarily to water plant improvements.

The Enterprise, Sewer Fund cash balance decreased \$276,757 to a deficit of \$141,407, due primarily to the 2010 Sanitary Sewer Improvements. This deficit was eliminated in July 2011 with the receipts of a CITIES grant of \$149,445.

BUDGETARY HIGHLIGHTS

City Council approved a budget amendment on May 9, 2011, increasing receipts by \$181,433 and disbursements by \$833,177.

The City's receipts were \$119,455 less than budgeted. This was primarily due to a \$149,445 CITIES grant that was budgeted for fiscal year 2011 but received in fiscal year 2012.

The community and economic development and capital projects functions were exceeded before the budget was amended. At June 30, 2011, disbursements exceeded budgeted amounts in the capital projects function.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$278,600 in long-term debt outstanding, compared to \$441,888 last year, as shown below:

Outstanding Debt				
	Year Ended June 30, 2011		Year Ended June 30, 2010	
General obligation notes	\$	278,600	\$	375,301
Revenue bonds		-0-		66,587
Total	\$	278,600	\$	441,888

Approximately \$163,000 of outstanding debt was paid off during the year. Interest paid on the outstanding debt was \$17,316. On November 8, 2010 the City authorized the issuance of \$400,000 General Obligation Capital Loan Note Anticipation Project Notes. No proceeds were received as of June 30, 2011.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$278,600 is significantly below its constitutional debt limit of approximately \$3.3 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Oakland's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees, charged for various City activities. One of those factors is the economy. A recent telephone poll conducted by SWIPCO indicated that the City has 58.61% low to moderate income households, an important factor in obtaining a federal grant or loan for the community service building urban renewal project.

Amounts available for appropriation in the operating budget are approximately \$3.64 million, a 34% increase the final fiscal year 2011 budget. Proceeds on notes and other financing sources are budgeted to be approximately \$1 million. The community service building project will get well underway in fiscal year 2012.

If the budget is realized, the City's budgeted cash balance is expected to increase approximately \$99,000 by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact Marissa Lockwood, City Clerk, at 101 North Main Street, PO Box 396, Oakland, Iowa 51560.

BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 100,371	\$ 66,960	\$ 45,438	\$ -0-
Public works	190,677	-0-	152,450	-0-
Cultures and recreation	191,150	42,336	36,922	-0-
Community and economic development	352,712	-0-	-0-	-0-
General government	118,847	4,772	3,136	-0-
Debt service	111,193	-0-	-0-	-0-
Capital projects	274,932	-0-	-0-	101,373
Total governmental activities	1,339,882	114,068	237,946	101,373
Business type activities:				
Water	719,798	616,851	-0-	-0-
Sewer	341,780	65,023	-0-	-0-
Sanitation	117,995	121,122	-0-	-0-
Total business type activities	1,179,573	802,996	-0-	-0-
Total	\$ 2,519,455	\$ 917,064	\$ 237,946	\$ 101,373

Property taxes levied for:
General purposes
Tax increment financing
Local option sales tax
Unrestricted investment earnings
Miscellaneous
Farm rent
Sale of assets
Transfers
Total general receipts

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash basis net assets

Expendable:
Streets
Library
Capital projects
Water reserves

Unrestricted

Total cash basis net assets

EXHIBIT A

<u>Net (Disbursements), Receipts and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 12,027	\$ -0-	\$ 12,027
(38,227)	-0-	(38,227)
(111,892)	-0-	(111,892)
(352,712)	-0-	(352,712)
(110,939)	-0-	(110,939)
(111,193)	-0-	(111,193)
(173,559)	-0-	(173,559)
<u>(886,495)</u>	<u>-0-</u>	<u>(886,495)</u>
-0-	(102,947)	(102,947)
-0-	(276,757)	(276,757)
-0-	3,127	3,127
<u>-0-</u>	<u>(376,577)</u>	<u>(376,577)</u>
(886,495)	(376,577)	(1,263,072)
296,224	-0-	296,224
18,622	-0-	18,622
181,391	-0-	181,391
29,406	-0-	29,406
17,428	-0-	17,428
-0-	37,328	37,328
6,850	-0-	6,850
12,622	(12,622)	-0-
<u>562,543</u>	<u>24,706</u>	<u>587,249</u>
(323,952)	(351,871)	(675,823)
<u>941,629</u>	<u>628,559</u>	<u>1,570,188</u>
\$ <u>617,677</u>	\$ <u>276,688</u>	\$ <u>894,365</u>
\$ 108,109	\$ -0-	\$ 108,109
265,793	-0-	265,793
1,980	-0-	1,980
-0-	41,640	41,640
241,795	235,048	476,843
\$ <u>617,677</u>	\$ <u>276,688</u>	\$ <u>894,365</u>

See notes to financial statements.

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 296,224	\$ -0-	\$ -0-
Tax increment financing	-0-	-0-	18,622
Other city tax	-0-	-0-	-0-
Licenses and permits	5,892	-0-	-0-
Use of money and property	37,456	-0-	-0-
Intergovernmental	67,037	152,450	-0-
Charges for services	89,083	-0-	-0-
Miscellaneous	32,027	13,792	-0-
Total receipts	<u>527,719</u>	<u>166,242</u>	<u>18,622</u>
Disbursements:			
Operating:			
Public safety	100,371	-0-	-0-
Public works	-0-	190,677	-0-
Culture and recreation	191,150	-0-	-0-
Community and economic development	-0-	-0-	352,712
General government	113,322	-0-	-0-
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	<u>404,843</u>	<u>190,677</u>	<u>352,712</u>
Excess (deficiency) of receipts over (under) disbursements	122,876	(24,435)	(334,090)
Other financing sources (uses):			
Sale of assets	6,850	-0-	-0-
Operating transfers in	90,696	90,695	106,640
Operating transfers out	(378,992)	-0-	(6,711)
Total other financing sources (uses)	<u>(281,446)</u>	<u>90,695</u>	<u>99,929</u>
Net change in cash balances	(158,570)	66,260	(234,161)
Cash balances, beginning of year	<u>666,158</u>	<u>41,849</u>	<u>234,161</u>
Cash balances, end of eight months	\$ <u>507,588</u>	\$ <u>108,109</u>	\$ <u>-0-</u>
Cash Basis Fund Balances			
Restricted for streets	\$ -0-	\$ 108,109	\$ -0-
Assigned for library	265,793	-0-	-0-
Assigned for capital project	-0-	-0-	-0-
Unassigned	241,795	-0-	-0-
Total cash basis fund balances	\$ <u>507,588</u>	\$ <u>108,109</u>	\$ <u>-0-</u>

See notes to financial statements.

EXHIBIT B

	Capital Projects Aquatic Center	Other Non-major Governmental Funds	Total
\$	-0-	\$ -0-	\$ 296,224
	-0-	-0-	18,622
	-0-	181,391	181,391
	-0-	-0-	5,892
	24	-0-	37,480
	-0-	1,087	220,574
	-0-	-0-	89,083
	99,393	1,980	147,192
	99,417	184,458	996,458
	-0-	-0-	100,371
	-0-	-0-	190,677
	-0-	-0-	191,150
	-0-	-0-	352,712
	-0-	5,525	118,847
	-0-	111,193	111,193
	249,682	25,250	274,932
	249,682	141,968	1,339,882
	(150,265)	42,490	(343,424)
	-0-	-0-	6,850
	150,265	141,420	579,716
	-0-	(181,391)	(567,094)
	150,265	(39,971)	19,472
	-0-	2,519	(323,952)
	-0-	(539)	941,629
\$	-0-	\$ 1,980	\$ 617,677
\$	-0-	\$ -0-	\$ 108,109
	-0-	-0-	265,793
	-0-	1,980	1,980
	-0-	-0-	241,795
\$	-0-	\$ 1,980	\$ 617,677

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Water	Sewer
Operating receipts:		
Charges for services	\$ 608,088	\$ 65,023
Miscellaneous	6,137	-0-
Total receipts	<u>614,225</u>	<u>65,023</u>
Operating disbursements:		
Business type activities	648,658	341,780
Total disbursements	<u>648,658</u>	<u>341,780</u>
Operating income	(34,433)	(276,757)
Non-operating receipts (disbursements):		
Farm rent	37,328	-0-
Meter deposits	2,626	-0-
Meter deposit refunds	(1,297)	-0-
Debt service	(69,843)	-0-
Total non-operating receipts (disbursements)	<u>(31,186)</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	(65,619)	(276,757)
Other financing sources (uses):		
Operating transfer in	-0-	-0-
Operating transfer out	(12,622)	-0-
Net financing sources (uses)	<u>(12,622)</u>	<u>-0-</u>
Net change in cash balance	(78,241)	(276,757)
Cash balances, beginning of year	<u>455,133</u>	<u>135,350</u>
Cash balances, end of year	\$ <u>376,892</u>	\$ <u>(141,407)</u>
Cash Basis Fund Balances		
Restricted:		
Repairs and replacement	\$ 41,640	\$ -0-
Unrestricted	335,252	(141,407)
Total cash basis fund balances	\$ <u>376,892</u>	\$ <u>(141,407)</u>

See notes to financial statements.

EXHIBIT C

<u>Sanitation</u>		<u>Total</u>	
\$	121,122	\$	794,233
	<u>-0-</u>		<u>6,137</u>
	121,122		800,370
	<u>117,995</u>		<u>1,108,433</u>
	117,995		1,108,433
	3,127		(308,063)
	-0-		37,328
	-0-		2,626
	-0-		(1,297)
	<u>-0-</u>		<u>(69,843)</u>
	-0-		(31,186)
	3,127		(339,249)
	-0-		-0-
	<u>-0-</u>		<u>(12,622)</u>
	-0-		(12,622)
	3,127		(351,871)
	<u>38,076</u>		<u>628,559</u>
\$	<u>41,203</u>	\$	<u>276,688</u>
\$	-0-	\$	41,640
	<u>41,203</u>		<u>235,048</u>
\$	<u>41,203</u>	\$	<u>276,688</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The City of Oakland is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oakland has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City.

Blended Component Unit

The Eckels Memorial Library is legally separate from the City but financially accountable to the City. The library is governed by a board approved by the City Council and its operating budget is subject to approval by the City Council. The library is presented as a blended component unit of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Association of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute and Chamber of Commerce.

**CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in the following categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provision or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, or use directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Capital Projects Fund is used to account for the payment of construction projects such as the Aquatic Center.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

The Sanitation Fund accounts for the operation and maintenance of the City's sanitation service.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The City of Oakland maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. As of June 30, 2011, disbursements exceed amounts budgeted in the capital projects function.

(2) Cash and Pooled Investments

The City's deposits in bank at June 30, 2011, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions in the City's name and its component unit, totals \$894,365 as of June 30, 2011.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(3) Notes Payable

Annual debt service requirements to maturity for the City's general obligation capital loan notes, urban renewal tax increment financing revenue notes and water revenue notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Urban Renewal Tax Increment Financing Notes	
	Principal	Interest	Principal	Interest
2012	\$ 25,339	\$ 9,587	\$ 15,000	\$ 848
2013	27,258	8,458	-0-	-0-
2014	28,223	7,253	-0-	-0-
2015	47,780	5,999	-0-	-0-
2016	9,000	4,050	-0-	-0-
2017	9,000	3,780	-0-	-0-
2018	9,000	3,510	-0-	-0-
2019	9,000	3,240	-0-	-0-
2020	10,000	2,970	-0-	-0-
2021	10,000	2,670	-0-	-0-
2022	10,000	2,370	-0-	-0-
2023	11,000	2,070	-0-	-0-
2024	11,000	1,740	-0-	-0-
2025	11,000	1,410	-0-	-0-
2026	12,000	1,080	-0-	-0-
2027	12,000	720	-0-	-0-
2028	12,000	360	-0-	-0-
Total	\$ 263,600	\$ 61,267	\$ 15,000	\$ 848

Year Ending June 30,	Total	
	Principal	Interest
2012	\$ 40,339	\$ 10,435
2013	27,258	8,458
2014	28,223	7,253
2015	47,780	5,999
2016	9,000	4,050
2017	9,000	3,780
2018	9,000	3,510
2019	9,000	3,240
2020	10,000	2,970
2021	10,000	2,670
2022	10,000	2,370
2023	11,000	2,070
2024	11,000	1,740
2025	11,000	1,410
2026	12,000	1,080
2027	12,000	720
2028	12,000	360
Total	\$ 278,600	\$ 62,115

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(3) Notes Payable (Continued)

Urban Renewal Tax Increment Financing Notes

The urban renewal tax increment financing general obligation notes were issued for the purpose of defraying a portion of the cost of street development and economic development in the urban renewal areas of the City. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF districts and credited to the Special Revenue, Urban Renewal Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing notes were expended only for purposes which were consistent with the plans of the City's urban renewal areas.

Drinking Water Program Revolving Loan

On September 24, 2008, the City financed the Lime Sludge Lagoon Project in part through the Iowa Finance Authority. The \$187,000 loan bears interest at 3.0%, requires semi-annual principal and interest payments, and matures June 1, 2028.

Ambulance Note

On April 19, 2010, the City financed the purchase of an ambulance with a local bank. The \$150,259 note bears interest at 4.95%, requires semi-annual principal and interest payments of \$11,473, and matures with a balloon payment of \$29,292 on March 19, 2015.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.5% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$17,255, \$16,152, and \$14,410, respectively, equal to the required contributions for each year.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides a medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums of the City and plan members are \$472 for single coverage and \$1,180 for family coverage. For the year ended June 30, 2011, the City contributed \$48,779 and the plan members eligible for benefits contributed \$-0-.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid a maximum of \$2,000 of accumulated sick leave. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2011, primarily relating to the Water Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2011</u>
Vacation	\$ 24,836
Sick leave	58,960
	<u>\$ 83,796</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(7) Property Taxes

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City as collected monthly.

(8) Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2011.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011, is as follows:

Transfer to	Transfer from	Amount
General fund	Special Revenue - Local Option	\$ 90,696
Special Revenue - Road Use	Special Revenue - Local Option	90,695
Special Revenue - TIF	General Fund	106,640
Special Revenue - FEMA	General Fund	3,091
Debt Service	Special Revenue - TIF	6,711
Debt Service	General Fund	91,860
Debt Service	Proprietary - Water	12,622
Capital Projects - Aquatic Center	General Fund	150,265
Capital Projects - CSB	General Fund	25,250
Capital Projects - Annexation	General Fund	1,886
Total		\$ <u>579,716</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(10) Risk Management

The City of Oakland is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2011 was \$41,438.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage of \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

**CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

(10) Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workers' compensation insurance purchased from the Iowa Municipalities Workers' Compensation Association, IMWCA. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Urban Renewal

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal includes the Water Expansion Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Notes were issued to finance the Street Project. On July 11, 2005, the City approved a program within this urban renewal plan for residential and commercial development in cooperation with the Oakland Industrial Foundation. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(11) Urban Renewal (Continued)

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan was to encourage commercial development in this urban renewal area. The project included the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Notes were issued as a result of this project. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involved providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

(12) Library Construction and Contingency

On April 7, 1997, the City entered into a gift agreement for an addition to the Eckles Memorial Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

(13) Subsequent Events

The City purchased a new pickup, dump box, sander and snow plow for \$67,446. The City authorized a voluntary boundary change incorporating the meat processing plant area into the City. The City also adopted Amendment No. 2 to the Oakland Urban Renewal Plan.

(14) Deficit Balance

The Enterprise Sewer Fund had a deficit balance of \$141,407 at June 30, 2011. the deficit balance was a result of 2011 sanitary sewer improvements costs incurred prior to availability of funds. The deficit was eliminated in July 2011 upon receipt of a CITIES grant.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(15) Commitments

Garbage Collection Service Agreement

The City signed an agreement on June 11, 2007 with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from July 1, 2007 to June 30, 2012. The contracted amount per residential unit for up to six 32-gallon containers per week for the first two years is \$5.00 and \$5.50 for the remaining three years. The contracted amount for commercial, industrial and institutional premises with dumpsters is \$3.00 per yard per week for five years and \$1.00 per unit per month for recyclables for five years.

Atlantic Bottling Agreement

On May 26, 2004, the City entered into an agreement with the Atlantic Bottling Company. They agreed that the Atlantic Bottling Company will be the sole provider of soft drinks, new age products, juices and water for the Little League, Soccer, Swimming Pool, and all City owned locations through May of 2011. In return, Atlantic Bottling Company paid for one of the scoreboards valued at \$3,358. Either party may terminate this agreement; however, in that event, the City agrees to pay back Atlantic Bottling Company for the scoreboard for the valued amount.

Administrative Services Agreement

On July 1, 2004, the City entered in to an agreement with American Administrators, Inc. for the purpose of establishing terms for a third party administrator of the City of Oakland's self-funding benefit plan. The annual administration fee is \$300 and a monthly administrative fee per employee is \$6.50. The fees are subject to change by American Administrators, Inc. on July 1, 2005, and each year thereafter on the same date. There was no change to the fees since 2005.

MidAmerican Energy Company Ordinance

On December 12, 2004, the city passed an ordinance granting to MidAmerican Energy Company, its successors and assigns, the right and franchise to acquire, construct, erect, maintain and operate a natural gas system in the City of Oakland and to furnish and sell natural gas to the City and its inhabitant's for a period of twenty-five years.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2011. The contract is payable in four quarterly installments of \$6,506.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(16) Grants

Grants - Library

For the year ended June 30, 2011, the Eckles Memorial Library received a \$500 grant from the Pottawattamie County Community Foundation.

FEMA Grants

For the year ended June 30, 2011, the City was awarded a \$10,875 grant from the Federal Emergency Management Agency for snow removal. The federal share was \$8,156, the state share was \$1,087, and the local share was \$1,632.

Hazard Mitigation Grant

In July 2009, the City of Oakland was awarded a \$169,870 grant from the Iowa Homeland Security and Emergency Management Division and the Federal Emergency Management Agency (FEMA) for the acquisition of property located in a flood plane area of the City. For the year ended June 30, 2010, the City received \$140,220 of the grant. The City expects to receive the remainder of the grant funds after the demolition of a house in the flood plane is complete in fiscal year 2012.

Iowa West Foundation Grant

In November 2010, the City of Oakland was awarded a \$140,000 from the Iowa West Foundation for the renovation of the bath house at the Aquatic Center. For the year ended June 30, 2011, \$70,000 of the grant funds were received. The contract expires September 30, 2011.

Underground Storage Tank Fund

For the year ended June 30, 2011, the City received \$2,725 in state assistance from the Iowa Underground Storage Tank Fund for the over-excavation of an underground storage tank discovered during installation of a public utility.

CITIES Grant

On May 10, 2011, the City was awarded Community Improvements To Increase Economic Stability (CITIES) Grant from the Pottawattamie County Board of Supervisors. The 50/50 matching grant awarded was \$149,445 which will assist in recovery of part of the cost of the 2010 Sanitary Sewer Project. No funds were received as of June 30, 2011. The grant expires July 31, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

**BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 296,224	\$ -0-
Tax increment financing	18,622	-0-
Other city tax	181,391	-0-
Licenses and permits	5,892	-0-
Use of money and permits	37,480	-0-
Intergovernmental	220,574	-0-
Charges for services	89,083	840,324
Miscellaneous	147,192	-0-
Total receipts	<u>996,458</u>	<u>840,324</u>
Disbursements:		
Public safety	100,371	-0-
Public works	190,677	-0-
Health and social services	-0-	-0-
Culture and recreation	191,150	-0-
Community and economic development	352,712	-0-
General government	118,847	-0-
Debt service	111,193	-0-
Capital projects	274,932	-0-
Business type	-0-	1,179,573
Total disbursements	<u>1,339,882</u>	<u>1,179,573</u>
Excess (deficiency) of receipts over (under) disbursements	(343,424)	(339,249)
Other financing sources, net	<u>19,472</u>	<u>(12,622)</u>
Excess (deficiency) of receipts and other financing sources	(323,952)	(351,871)
Balance beginning of year	<u>941,629</u>	<u>628,559</u>
Balance end of year	\$ <u>617,677</u>	\$ <u>276,688</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 296,224	\$ 290,013	\$ 290,013	\$ 6,211
18,622	18,637	18,637	(15)
181,391	177,705	177,705	3,686
5,892	3,425	4,065	1,827
37,480	13,600	26,117	11,363
220,574	126,000	231,130	(10,556)
929,407	1,163,080	1,166,120	(236,713)
147,192	20,250	42,450	104,742
<u>1,836,782</u>	<u>1,812,710</u>	<u>1,956,237</u>	<u>(119,455)</u>
100,371	147,703	147,510	47,139
190,677	264,100	200,420	9,743
-0-	-0-	-0-	-0-
191,150	162,131	207,479	16,329
352,712	34,000	352,978	266
118,847	108,605	134,900	16,053
111,193	49,106	139,618	28,425
274,932	-0-	248,020	(26,912)
<u>1,179,573</u>	<u>1,070,720</u>	<u>1,200,711</u>	<u>21,138</u>
<u>2,519,455</u>	<u>1,836,365</u>	<u>2,631,636</u>	<u>112,181</u>
(682,673)	(23,655)	(675,399)	(7,274)
<u>6,850</u>	<u>-0-</u>	<u>-0-</u>	<u>6,850</u>
(675,823)	(23,655)	(675,399)	(424)
<u>1,570,188</u>	<u>1,570,188</u>	<u>1,570,188</u>	<u>-0-</u>
\$ <u>894,365</u>	\$ <u>1,546,533</u>	\$ <u>894,789</u>	\$ <u>(424)</u>

CITY OF OAKLAND

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$181,433 and disbursements by \$833,177. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the capital projects function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OAKLAND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Local Option	Hazard	Debt
	Tax	Mitigation	Service
Receipts:			
Other city taxes	\$ 181,391	\$ -0-	\$ -0-
Intergovernmental	-0-	1,087	-0-
Miscellaneous	-0-	-0-	-0-
Total receipts	181,391	1,087	-0-
Disbursements:			
Operations:			
General government	-0-	5,525	-0-
Debt service	-0-	-0-	111,193
Capital projects	-0-	-0-	-0-
Total disbursements	-0-	5,525	111,193
Excess (deficiency) of receipts over (under) disbursements	181,391	(4,438)	(111,193)
Other financing sources (uses):			
Operating transfers in	-0-	3,091	111,193
Operating transfers out	(181,391)	-0-	-0-
Net financing sources (uses)	(181,391)	3,091	111,193
Net change in cash balances	-0-	(1,347)	-0-
Cash balances beginning of year	-0-	1,347	-0-
Cash balances end year	\$ -0-	\$ -0-	\$ -0-
Cash Basis Fund Balances			
Unreserved:			
Restricted for other purposes	\$ -0-	\$ -0-	\$ -0-
Assigned	-0-	-0-	-0-
Unassigned	-0-	-0-	-0-
Total cash basis fund balances	\$ -0-	\$ -0-	\$ -0-

See Accompanying Independent Auditor's Report.

SCHEDULE 1

Capital Projects				
Community Service Building		Annexation	Signage	Total
\$	-0-	\$ -0-	\$ -0-	\$ 181,391
	-0-	-0-	-0-	1,087
	-0-	-0-	1,980	1,980
	-0-	-0-	1,980	184,458
	-0-	-0-	-0-	5,525
	-0-	-0-	-0-	111,193
	25,250	-0-	-0-	25,250
	25,250	-0-	-0-	141,968
	(25,250)	-0-	1,980	42,490
	25,250	1,886	-0-	141,420
	-0-	-0-	-0-	(181,391)
	25,250	1,886	-0-	(39,971)
	-0-	1,886	1,980	2,519
	-0-	(1,886)	-0-	(539)
\$	<u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,980</u>	\$ <u>1,980</u>
\$	-0-	\$ -0-	\$ -0-	\$ -0-
	-0-	-0-	1,980	1,980
	-0-	-0-	-0-	-0-
\$	<u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,980</u>	\$ <u>1,980</u>

CITY OF OAKLAND
SCHEDULE OF INDEBTEDNESS

JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation capital notes:			
TIF- Economic Development	Nov 1, 2000	5.10 - 5.65%	\$ 90,000
Rescue Truck	Sep 19, 2007	4.95%	\$ 174,470
Ambulance	Apr 19, 2010	4.95%	\$ 150,259
Lime Sludge Lagoon Project	Sep 24, 2008	3.0%	\$ 187,000
Revenue bonds:			
Water	Nov 17, 1976	5.00%	\$ 700,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 30,000	\$ -0-	\$ 15,000	\$ 15,000	\$ 1,688	\$ 139
22,042	-0-	22,042	-0-	575	-0-
150,259	-0-	52,659	97,600	6,607	-0-
173,000	-0-	7,000	166,000	5,190	415
<u>\$ 375,301</u>	<u>\$ -0-</u>	<u>\$ 96,701</u>	<u>\$ 278,600</u>	<u>\$ 14,060</u>	<u>\$ 554</u>
66,587	-0-	66,587	-0-	3,256	-0-
<u>\$ 66,587</u>	<u>\$ -0-</u>	<u>\$ 66,587</u>	<u>\$ -0-</u>	<u>\$ 3,256</u>	<u>\$ -0-</u>

CITY OF OAKLAND

DEBT MATURITIES

JUNE 30, 2011

General Obligation Notes

Ambulance
Issued April 19, 2010

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2012	4.95%	\$ 18,339	\$ 18,339
2013	4.95%	19,258	19,258
2014	4.95%	20,223	20,223
2015	4.95%	39,780	39,780
Total		\$ <u>97,600</u>	\$ <u>97,600</u>

Urban Renewal Tax Increment Financing (TIF) Note

Economic Development
Issued November 1, 2000

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2012	5.65%	\$ 15,000	\$ 15,000
Total		\$ <u>15,000</u>	\$ <u>15,000</u>

See Accompanying Independent Auditor's Report.

Drinking Water Program Revolving Loan Fund

Lime Sludge Lagoon
Issued September 24, 2008

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2012	3.00%	\$ 7,000	\$ 7,000
2013	3.00%	8,000	8,000
2014	3.00%	8,000	8,000
2015	3.00%	8,000	8,000
2016	3.00%	9,000	9,000
2017	3.00%	9,000	9,000
2018	3.00%	9,000	9,000
2019	3.00%	9,000	9,000
2020	3.00%	10,000	10,000
2021	3.00%	10,000	10,000
2022	3.00%	10,000	10,000
2023	3.00%	11,000	11,000
2024	3.00%	11,000	11,000
2025	3.00%	11,000	11,000
2026	3.00%	12,000	12,000
2027	3.00%	12,000	12,000
2028	3.00%	12,000	12,000
Total		\$ <u>166,000</u>	\$ <u>166,000</u>

See Accompanying Independent Auditor's Report.

CITY OF OAKLAND

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS**

FOR THE LAST SEVEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:			
Property taxes	\$ 296,224	\$ 275,271	\$ 206,896
Tax increment financing	18,622	27,316	218,833
Other city taxes	181,391	153,346	174,825
License and permits	5,892	4,953	6,353
Use of money and property	37,480	30,968	52,852
Intergovernmental	220,574	395,809	342,146
Charges for service	89,083	67,207	80,060
Miscellaneous	<u>147,192</u>	<u>90,874</u>	<u>211,952</u>
 Total	 <u>\$ 996,458</u>	 <u>\$ 1,045,744</u>	 <u>\$ 1,293,917</u>
 Disbursements:			
Operating:			
Public safety	\$ 100,371	\$ 153,822	\$ 170,153
Public works	190,677	272,310	403,838
Culture and recreation	191,150	195,613	132,345
Comm and economic dev	352,712	42,930	4,114
General government	118,847	242,537	85,324
Debt service	111,193	141,791	118,748
Capital projects	<u>274,932</u>	<u>424,254</u>	<u>5,848</u>
 Total	 <u>\$ 1,339,882</u>	 <u>\$ 1,473,257</u>	 <u>\$ 920,370</u>

See accompanying independent auditor's report.

SCHEDULE 4

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	203,171	\$ 198,773	\$ 165,517	\$ 157,113
	203,412	208,720	143,618	150,589
	148,849	165,717	178,253	147,404
	5,801	6,302	6,808	4,473
	57,909	61,473	56,214	26,437
	192,842	564,584	165,354	157,314
	79,766	79,093	53,849	90,932
	<u>104,406</u>	<u>93,853</u>	<u>146,678</u>	<u>222,388</u>
\$	<u>996,156</u>	\$ <u>1,378,515</u>	\$ <u>916,291</u>	\$ <u>956,650</u>
\$	219,763	\$ 155,821	\$ 83,211	\$ 224,351
	330,027	143,761	238,518	142,948
	137,908	175,994	236,698	141,399
	6,571	15,939	62,007	18,943
	141,302	98,789	111,683	107,620
	108,758	81,720	118,085	117,296
	<u>-0-</u>	<u>834,590</u>	<u>55,853</u>	<u>128,233</u>
\$	<u>944,329</u>	\$ <u>1,506,614</u>	\$ <u>906,055</u>	\$ <u>880,790</u>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 17, 2011

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARD

Lonnie G. Muxfeldt
Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com
firm@muxfeldt-cpa.com

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Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated August 17, 2011. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Oakland's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Oakland's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified a certain deficiency in internal control over financial reporting I consider to be a material weakness and another deficiency I consider to be a significant deficiency.

Continued . . .

To the Honorable Mayor and
Members of the City Council:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Oakland's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Continued . . .

August 17, 2011
Page Three

To the Honorable Mayor and
Members of the City Council

The City of Oakland's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City of Oakland's responses, I did not audit the City of Oakland's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Oakland and other parties to whom the City of Oakland may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Oakland during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Murphy Associates, CPA, P.C.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city clerk and a part time deputy clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

I-B-11 Monitoring the Budget

Comment - The purchase of the community service building and the renovation of the bath house at the Aquatic Center were both material events that were not budgeted until the budget was amended on May 9, 2011.

Recommendation - The clerk and council should monitor the budget more carefully. Whether by function or fund, it should be obvious that a bath house renovation or the purchase of the community service building were not budgeted.

Response - We will monitor the budget more carefully in the future by asking ourselves whether a capital project or major purchase has been properly budgeted in the first place.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - Disbursements during the year ended June 30, 2011, exceeded the amounts budgeted in the capital projects function. In addition, disbursements exceeded amounts budgeted in the community and economic development and capital projects functions before the budget was amended on May 9, 2011. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 684.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be monitored and amended timely in the future, if applicable.

Conclusion - Response accepted.

- II-B-11 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-11 Business Transactions - There were no business transactions between the City and City officials or employees for the year ended June 30, 2011.
- II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- II-G-11 Revenue Notes - The City has complied with water revenue note resolutions.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting: Continued

II-H-11 Deposits and Investments - It was noted that the City had bank deposits in excess of its maximum deposit amount of \$1 million during the months of July, August and part of September 2010.

Recommendation - I recommend that the maximum deposit amount be raised by resolution.

Comment - The maximum deposit amounts were raised to \$3 million by resolution in September 2010.

Conclusion - Response accepted.

CITY OF OAKLAND
OAKLAND, IOWA 51560
NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Oakland, Iowa.

The City's receipts totaled \$1,843,632 for the year ended June 30, 2011, a three percent decrease from the prior year. The receipts included \$296,224 from property tax, \$18,622 from tax incremental financing, \$917,064 from charges for services, \$237,946 from operating grants, contributions and restricted interest, \$101,373 from capital grants, contributions and restricted interest, \$181,391 from local option sales tax, \$29,406 from unrestricted investment earnings, \$37,328 from farm rent, \$6,850 from the sale of lots and \$17,428 in other general receipts.

Disbursements for the year totaled \$2,519,455, a ten percent increase from the prior year, and included \$352,712 for community and economic development, \$274,932 for capital projects, and \$191,150 for culture and recreation. Also, disbursements for business-type activities totaled \$1,179,573.

A copy of the audit report is available for review in the City Clerk's office, in the office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

